Operating Expenditures

In FY 2003, the District's Local fund expenditures increased by 4.6 percent. After experiencing a slight decrease in FY 2002, expenditures resumed growth that has averaged 5.8 percent annually in recent years (see figure 5-1).

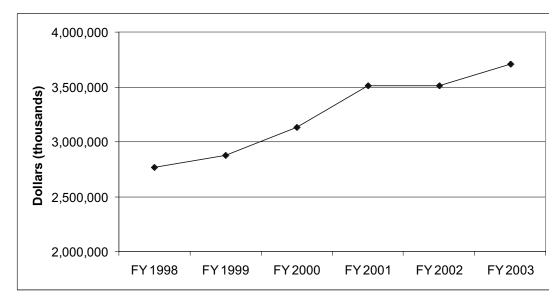
The increase in FY 2003, over \$150 million, was a result of, among other factors, increased health care spending, more specifically, Medicaid, and a one-time write-off of certain Medicaid receivables determined to be uncollectible.

During the past five years, annual expenditure growth has averaged 5.8 percent District-wide. Human Support Services continues to grow at a rate of approximately nine percent, near the average of the past five years. Public

education, while one of the fastest-growing appropriation titles in recent years, experienced a decrease in Local funds expenditures for the second consecutive year, although its average growth during the past five years is nine percent. Public Safety and Justice expenditures are steadily growing at a rate of 4.6 percent, less than the District's overall growth rate.

This chapter examines operating expenditures by the District in recent years and analyzes

Figure 5-1 **Local Fund Expenditures, FY 1998 - FY 2003**



where expenditure growth pressures are likely to slow, continue, or expand in the future. Specifically, the chapter:

- Examines the growth in expenditures from FY 1998 to 2003 by area of spending (agency and function);
- Examines the growth by such categories as personnel, contractual services, and subsidies and transfers; and
- Discusses projections of expenditure growth from FY 2006 to 2008, starting from the FY 2005 proposed budget.

This chapter focuses primarily on the District's Local funds expenditures, but a change in how certain expenditures were classified beginning in FY 2002 introduced a discontinuity in the local funds expenditure data. Federal payments, which had been classified as local funds in prior years despite their federal source, were moved into the new Federal and Private Resources category for FY 2002. Thus, expenditures from Federal Payments are included in Local funds expenditures through FY 2001 but not in FY 2002 or FY 2003. Because expenditures from Federal Payments were not separately classified before FY

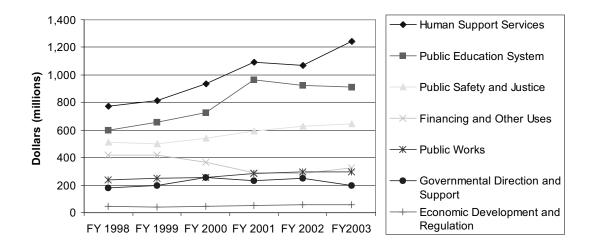
2002, they cannot be differentiated from prior year data to provide a consistent time series. For more details, see the Operating Expenditures chapter of the FY 2004 Proposed Budget and Financial Plan.

This chapter does not discuss capital expenditures, which are described in the Capital Appendices volume. Furthermore, it does not include agencies whose operations are captured in other funds, such as proprietary funds and component units of the District. For more information on these, see the fund structure discussion in the Financial Plan chapter of this volume.

Expenditure Growth by Agency and Function, FY 1998 to FY 2003

As detailed in the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan, the Revitalization Act² created a break in expenditure patterns between FY 1997 and 1998. For this reason, this chapter discusses expenditures from 1998 onward. Tables 5A-2 and 5A-3, in appendix I to this chapter, provide additional detail on local and gross expenditures in the largest District agencies from FY 1998 through 2003.

Figure 5-2 **Local Fund Expenditures by Appropriation Title, FY 1998-FY 2003**



¹ Federal Payments are provided directly by the District's Appropriation Act to District agencies for specified purposes. They are different from federal grants, which include entitlements and formula-based and competitive grants the District receives.

FY 2005 Proposed Budget and Financial Plan

² Title IX, National Capital Revitalization and Self-Government Improvement Act of 1997, of the Balanced Budget Act of 1997 (P.L. 105-33).

Human Support Services

Expenditures for four major agencies in the Human Support Services appropriation title have grown at an annual average of nine percent since FY 1998, although they decreased in FY 2002. The FY 2002 decrease was driven by reduced expenditures on health care for the District's uninsured population, as most services at D.C. General Hospital were taken over by a private contractor and paid for through the Health Care Safety Net, administered by the Department of Health. In FY 2003, the Department of Health showed an increase in expenditures, but the cost associated with health care service contracts is still less than the expenditures previously incurred by D.C. General Hospital. Some of the major trends in this appropriation title are:

- Department of Human Services (DHS). DHS operates a number of federal entitlement programs, such as Temporary Assistance for Needy Families and certain homeless programs. Its local funds expenditures have risen about three percent annually between FY 1999 and 2003, but its gross funds expenditures—including the federal funds it administers—have increased by four percent annually. Data prior to FY 1999 are not comparable, because in earlier years DHS also performed functions now performed by the Child and Family Services Agency (CFSA) and the Department of Mental Health (DMH).
- Department of Health (DOH). In FY 2002 and FY 2003, DOH paid most of the expenses formerly incurred by the Public Benefit Corporation (PBC). The PBC had been established in 1996 to operate D.C. General Hospital and associated health care clinics in the District. In FY 2002, DOH established the Health Care Safety Net to assume prior PBC functions through a contract with Greater Southeast Community Hospital. Expenditures for the contract were approximately \$76 million in FY 2002, and \$101 million in FY 2003. When compared to PBC expenditures of more than \$135 million in FY 2000 and 2001, the Health Care Safety Net shows a decrease in the cost of providing these services.

Child and Family Services Agency and Department of Mental Health. The functions performed by these agencies were pulled out of DHS and placed into receivership in 1999, and both returned to District control in FY 2002. FY 2001 DMH and FY 2002 CFSA expenditures were unusually high due to the write-off of several years of Medicaid receivables. In FY 2003, DMH incurred another write-off for Medicaid receivables of \$99 million. The Medicaid program is discussed in detail in the Special Studies volume.

Public Education System

Local funds expenditures by the District of Columbia Public Schools (DCPS) are higher than for any other District agency. The public education system has experienced one of the highest growth rates in the District, averaging almost nine percent annually for the past five years. DCPS employs about a third of all District employees, and its expenditures are driven heavily by personnel costs. Public Charter Schools (PCS) expenditures increased in FY 2003, mostly because of increased enrollments. Both agencies are budgeted using a formula that accounts for inflation and for student enrollment growth or decline.

- District of Columbia Public Schools. Expenditures at DCPS decreased slightly, approximately four percent, in FY 2003 over FY 2002. This decrease corresponds to the decline in enrollment during the 2003 school year, with expenditures per enrolled student remaining approximately the same.
- Public Charter Schools. FY 2003 expenditures increased at PCS relative to FY 2002. Enrollments continue to increase, after experiencing remarkable growth the preceding three years, and two new charter schools opened in FY 2003.
- University of the District of Columbia (UDC). Expenditures at UDC decreased by approximately \$6 million in FY 2003 after steadily increasing in the prior two years.
- Teachers' Retirement System. When the Police and Fire Retirement System was split from the Teachers' Retirement System in

1998, the Teachers' system was relatively overfunded, so the District has not been required to make contributions to the Teachers' system in recent years. However there will be a contribution in FY 2005, which is budgeted at \$9.2 million.

Table 5-1 shows enrollment and expenditure trends for DCPS and PCS. Enrollment in the two systems combined has been increasing since FY 1999, but per-student spending has increased more rapidly. Even after the decrease in 2002, per-pupil expenditures rose by an average of nearly 12 percent per year between 1997 and 2002.

DCPS and PCS expenditures showed a onetime increase in FY 2001 because of a change in the way they received their funding. In most cases, the District's expenditures in a fiscal year are from funds appropriated for that year. However, beginning in FY 2001, DCPS and PCS were given authority to spend a portion of their upcoming appropriation--10 percent and 25 percent, respectively-during the fourth quarter of their current fiscal year. This authority was granted so the school systems could better match their expenditures to the school calendar. For example, in the fourth quarter of FY 2001 (July, August, and September 2001), DCPS had appropriation authority to spend up to 10 percent of its pending FY 2002 appropriation, or about \$71 million, in addition to completing its

spending of its 2001 appropriation. The two systems similarly had authority to spend against their pending FY 2003 appropriations at the end of FY 2002. Along with DCPS and PCS, UDC was granted this authority in FY 2003.

The District's Comprehensive Annual Financial Report (CAFR) for a given fiscal year includes funds spent in that fiscal year, regardless of the appropriation year. Thus, the FY 2003 CAFR includes funds each school system spent during FY 2003. This is the sum of:

- Appropriation year (AY) 2003 expenditures,
- Less AY 2003 funds spent during FY 2002,
- Plus AY 2004 funds spent in FY 2003.

Table 5-2 provides a crosswalk between the AY and FY expenditures for the two systems. The FY data are used throughout this chapter, although the AY data reflect more comparable data over time.

Public Safety and Justice

Expenditures in the public safety area have grown more slowly than District-wide totals in recent years. The two largest agencies in this appropriations title—the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services Department (FEMS)—have shown steady growth, while the Police and Fire Retirement System has become a major cost dri-

Table 5-1 **Enrollments and Expenditures in Two Schools Systems (Local Funds Only)**

	DC Public Schools		Public Char	ter Schools	Combined Systems		
	Enrollment	Expenditures	Enrollment	Expenditures	Enrollment	Expenditures	Expenditure
		(dollars in		(dollars in		(dollars in	per enrolled
		thousands)		thousands)		thousands)	student
1996	79,802	498,067	-	-	79,802	498,067	6,241
1997	78,648	481,547	-	-	78,648	481,547	6,123
1998	77,111	520,097	-	3,195	77,111	523,292	6,786
1999	71,889	550,812	3,594	11,113	75,483	561,925	7,444
2000	70,677	604,098	6,980	46,480	77,657	650,578	8,378
2001	68,978	737,128	9,555	136,876	78,533	874,004	11,129
2002	68,015	740,706	10,651	97,625	78,666	838,331	10,657
2003	67,004	711,890	12,239	114,283	79,234	826,173	10,427

Table 5-2:

Expenditures by Appropriation Year and Fiscal Year, Two School Systems and University (Local Funds Only)

(Dollars in thousands)				
	2000	2001	2002	2003
D.C. Public Schools				
Expenditures, current AY and FY	604,098	727,360	739,179	711,890
PLUS: AY expenditures in prior FY			+9,768	+1,527
EQUALS: Total AY expenditures	604,098	727,360	748,947	713,417
LESS: AY expenditures in prior FY			-9,768	-1,527
PLUS: FY expenditures from following AY		+9,768	+1,527	0
EQUALS: Total FY expenditures				
(as shown in CAFR and table 5-1 above)	604,098	737,128	740,706	711,890
Public Charter Schools				
Expenditures, current AY and FY	46,480	104,992	67,213	79,884
PLUS: AY expenditures in prior FY			+31,884	+30,412
EQUALS: Total AY expenditures	46,480	104,992	99,097	110,296
LESS: AY expenditures in prior FY			-31,884	-30,412
PLUS: FY expenditures from following AY		+31,884	+30,412	+34,399
EQUALS: Total FY expenditures				
(as shown in CAFR and table 5-1 above)	46,480	136,876	97,625	114,283
University of the District of Columbia				
Expenditures, current AY and FY	40,491	46,933	56,068	49,978
PLUS: AY expenditures in prior FY	0	0	0	0
EQUALS: Total AY expenditures	40,491	46,933	56,068	49,978
LESS: AY expenditures in prior FY	0	0	0	0
PLUS: FY expenditures from following AY	0	0	0	+566
EQUALS: Total FY expenditures	40,491	46,933	56,068	50,544

ver for the District.

- Metropolitan Police Department and Fire and Emergency Medical Services Department. Expenditures at MPD have increased steadily, averaging approximately five percent per year since 1998. This growth rate is higher than the 4.6 percent average for the public safety cluster, and can be attributed to the elevation of public safety as a District-wide priority. New crime-fighting initiatives and the impact from federal warning levels contributed to the increased expenditures. Growth has been less steady at the FEMS, but averaged 4.5 percent since 1998.
- Police and Fire Retirement System. The District's contributions to the system have increased over the past three years and will
- increase sharply in 2004 and 2005. When the fund was initially separated from the Teachers' Retirement System in 1998, it was relatively underfunded, and the District has had to increase its funding in recent years. The effects of the recent decline in the stock market and low interest rates also are being felt. Contributions are calculated using a formula that smoothes the effect of any one year's stock market performance, but several consecutive years of poor returns before 2003 led to higher required contributions.
- **Department of Corrections.** After expenditure decreases related to the District's phasing out of the Lorton facility, expenditures have begun increasing again. Greater expenditures since FY 2002 also reflect the end of the

Corrections Medical Receivership, with expenses paid by the receiver in recent years now being paid by the department.

Financing and Other

Agencies in the Financing and Other appropriation title include various debt service functions as well as the District's reserve funds. Expenditures in this appropriation title have decreased since FY 1998, primarily because of reduced borrowing costs

- **Debt Service.** The primary debt service function is Repayment of Loans and Interest, in which expenditures have decreased at an average annual rate of 6.3 percent since FY 1998. The low expenditure level in FY 2001 was maintained in FY 2002, but increased in FY 2003. The District has been able to take advantage of lower interest rates in recent years to refinance some of its debt. However, expenditures will increase in FYs 2004 and 2005.
- Budgeted Reserve. Beginning in FY 2000, the District was required to budget for a \$150 million reserve fund. The District could allocate the funds thus budgeted under certain conditions after congressional notification; expenditures from these allocations are then reflected in the agencies that receive them. The District allocated \$26.6 million of the FY 2000 Reserve, and in FY 2001 it allocated \$104.5 million of that year's reserve on Public Benefit Corporation costs. The District allocated almost the entire \$150 million of Reserve and Reserve Relief in FY 2002, with \$90 million of that amount going to DCPS. In FY 2003, the Reserve was budgeted at \$70 million and was again nearly fully allocated. For FY 2004, a new Cash Reserve of \$50 million replaces the Budgeted Reserve. Expenditures in the Financing and Other title do not reflect the Budgeted Reserve; instead, those expenditures are reflected in the agencies that receive budget allocations and spend against them.
- Emergency and Contingency (Cash)
 Reserve Funds and Tobacco Trust Fund.
 In FY 2001, Congress required the District to establish two cash reserve funds, to be

filled at the rate of one percent of projected local fund expenditures per year until they reached seven percent by FY 2007. In FY 2002, the District fully funded the two cash reserves at their combined seven percent target, or \$248.7 million. In FY 2003, the cash reserve target of seven percent was maintained at \$253.8 million.

For more details on the District's various reserve funds, see the Financial Plan chapter.

Other Appropriations Titles

Expenditures in other appropriations titles have not shown changes as significant as those discussed above.

- Governmental Direction and Support. This appropriation title funds agencies that manage overall government operations, including the Office of the Mayor, the Council of the District of Columbia, and the Offices of Personnel, Corporation Counsel, and the Chief Financial Officer. Expenditures in this appropriation title have grown at two percent annually since FY 1998.
- Economic Development and Regulation. This is the smallest of the appropriations titles, and expenditures increased at an annual average rate of 3.4 percent between FY 1998 and 2003.
- Public Works. The Public Works appropriation title is dominated by two agencies: the Department of Public Works (DPW) and subsidies to the Washington Metropolitan Area Transit Authority (WMATA). DPW expenditures have decreased steadily since FY 1998. Subsidies to WMATA, on the other hand, have risen by an annual average of 4.2 percent over five years, slower than the District-wide average.

Summary of Local Funds Expenditure Growth by Agency and Function

Among the three largest appropriation titles, expenditures in Human Support Services and Public Safety and Justice increased, while Public Education decreased in FY 2003. Expenditure growth in Human Support Services was mainly a

result of increases at Department of Health and the Department of Mental Health. While expenditures for the Health Care Safety Net program at DOH are less than what the expenditures were for D.C. General Hospital, the addition of this program has resulted in sharply increased growth for DOH since FY 2001. Expenditures at the Department of Mental Health continued to grow due to Medicaid write-offs, and in FY 2003, \$99 million was used for this purpose.

During the past five years, expenditures for the MPD have increased at a rate greater than the rest of the Public Safety and Justice appropriation In FY 2003, local fund expenditures increased by \$12 million, signifying the elevation of public safety as a priority for the District. Increased security needs and the location of the federal government in the District have led to greater local fund expenditures, even though some of the costs were offset by federal grant awards. Elevated terrorism threat levels increased the number of officers needed on the District's streets, while MPD crime fighting initiatives also led to greater expenditures. Two new community-based facilities were opened in neighborhoods that were in need of greater police presence. Foot patrols were also expanded, and Police Service Districts were restructured for better response. Expenditures are expected to increase once again in FY 2004, since the MPD has initiated a hiring plan to increase the number of officers to 3,800.

While Public Education is still the second largest appropriation title, expenditures decreased in FY 2003. A decline in DCPS enrollment and no budgeted contribution to the Teacher's Retirement Fund resulted in the decrease. However, Public Charter Schools (PCS) expenditures continue to grow in relative to increases in enrollment.

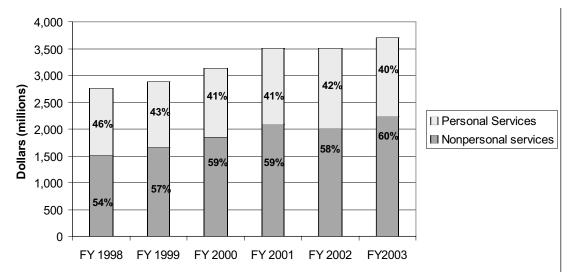
Federal Funds Expenditures

During FY 2003, the District received a \$10.6 million Federal Payment for emergency planning and security costs. The payment was divided among the MPD (approximately \$7 million), Emergency Management Agency (approximately \$0.1 million), and FEMS (approximately \$3.5 million). The District's emergency and security services not only serve District residents, but also any person within the District. The District's status as the nation's capital brings many events requiring security services and also requires a greater level of emergency planning. The Federal Payment helps offset costs that are, in part, influenced by the presence of the federal government within the District. Expenditures of \$156 million of Federal Payments received in FY 2002 and spent over two years are detailed in Appendix II of this chapter.

Table 5-3 **Federal Grant Expenditures, FY 2001-FY 2003**(Dollars in thousands)

				Annual Growth Rate
	2001	2002	2003	2001-2003
Department of Health	744,491	780,370	846,423	6.6%
Department of Human Services	193,024	219,898	189,421	-0.9%
DC Public Schools	82,498	107,175	115,039	18.1%
Child and Family Services	79,757	51,069	65,595	-9.3%
Department of Employment Services	33,737	47,679	44,274	14.6%
Department of Housing and Community	/			
Development	45,751	57,903	42,520	-3.6%
Department of Mental Health	46,506	32,066	38,882	-8.6%
Subtotal, selected agencies	1,225,764	1,296,160	1,342,152	4.6%
All other agencies	92,692	86,678	112,856	10.3%
Total - District of Columbia	1,318,456	1,382,838	1,455,010	5.1%

Figure 5-3
Personal Services and Nonpersonal Services Expenditures, FY 1998 – FY 2003



Federal grant expenditures are increasing for the District as a whole, and, since 2001, have grown at a rate of 5.1 percent per year (see table 5.3). Of the seven agencies that receive the largest amount of federal grants, expenditures for the Department of Health and D.C. Public Schools have increased significantly over the past three years. The Department of Health receives and spends the greatest amount of federal grants, with Medicaid making up most of the grant dollars. Four of the other six agencies with the greatest grant expenditures also spend Medicaid funds. For more detail on Medicaid and its impact in the District's budget, see the Special Studies volume.

Expenditure Growth by Object Class, FY 1998 to FY 2003

This section examines expenditures by object class--that is, by the type of services paid for, such as personnel, supplies, or fixed costs for rent or utilities from FY 1998 through FY 2003. Since 1998, expenditures on nonpersonal services (NPS), such as rent and utilities, equipment, subsidies and transfers, and debt service, have risen faster than those on personal services (PS), which

include regular salaries and wages, overtime and other additional costs (see figure 5-3).³ Table 5A-4, in the appendix to this chapter, provides further details.

PS expenditures, which make up about 40 percent of all expenditures, rose at an average annual rate of three percent between FY 1998 and 2003. Fringe benefits expenditures have increased at nearly a three percent annual rate since FY 1998, mostly because of increasing costs of providing health insurance for District employees.

Local funds overtime expenditures fell significantly in FY 2003, after increasing slightly in FY 2002 (see table 5-3). MPD experienced the greatest decrease, due to an influx of federal emergency funds. MPD was reimbursed for \$7 million in expenditures in an effort to defray costs associated with emergency planning and security, including overtime costs for officers. This means that expenditures that would otherwise have been made from Local funds were instead made from Federal funds. The decrease due to the Federal Payment is a one-time event, and overtime expenditures may increase in FY 2004, depending on the Federal Payment. Eight

³ In this section, the District's contributions to the Police and Fire and Teachers' Retirement Funds are considered PS expenditures. Data presented here will vary slightly from the District's accounting basis, which places these contributions in the Subsidies and Transfers category within NPS.

Table 5-4 **Overtime Expenditures from Local Funds**

(Dollars in thousands)

Agency Name	2000	2001	2002	2003
Metropolitan Police Department	20,175	22,211	24,221	11,096
Fire and Emergency Medical Services	13,293	12,185	15,758	8,255
District of Columbia Public Schools	5,310	8,535	4,678	6,208
Department of Corrections	4,713	4,006	2,824	4,389
Department of Human Services	2,874	2,858	2,794	2,914
Department of Transportation and				
Department of Public Works	3,190	3,329	2,484	3,016
Child and Family Services	695	1,880	1,965	1,838
Department of Mental Health	2,490	2,054	1,701	803
All other Agencies	3,216	4,365	3,671	2,806
Total	55,956	61,424	60,096	41,325

agencies have consistently spent 93 to 94 percent of the District's entire expenditures on overtime. Gross fund overtime pay was \$14 million for 2003, which is still significantly less than 2002.

NPS expenditures increased at a eight percent average annual rate between FY 1998 and Within NPS categories, debt service expenditures fell by an average five percent annually, while subsidies and transfers, the largest NPS component, increased by 11 percent annually-from \$607 million to just over \$1 billion in five The subsidies and transfers category includes the District's contributions to Medicaid and other entitlement programs, as well as to Public Charter Schools, whose growth has been described previously. The other driver of growth has been the contractual services category, in which expenditures rose by 30 percent annually. Contractual service have increased from less than 10 percent of NPS expenditures in FY 1998 to more than 23 percent in FY 2003.

Summary of Projections for Expenditures for FYs 2006, 2007, and 2008

This section explains the expenditures forecast that is used in the District's financial plan (see the Financial Plan chapter). The forecast begins with the FY 2005 proposed budget, and expenditures are projected for the next three years. In most

agencies, growth is projected by object class using general factors for PS and NPS growth, as described below. In some agencies, the forecast uses more specific growth factors; these are detailed below the discussion of growth by object class.

The FY 2005 revenue forecast shows healthy growth (see the Revenues chapter). Actual expenditure growth into the future will always be limited by actual revenue growth. The expenditures forecast cannot predict actual expenditures, because those will always be constrained by realized revenues in a given year. However, the expenditures forecast can indicate where pressure for growth is likely to be felt, and it can provide a warning if expenditures are on track to outpace revenue growth without corrective action.

Growth by Object Class Personal Services

The general growth rate for salaries and wages is assumed to be 0.8 percentage points above the Washington area Consumer Price Index (CPI) forecast for each of the next three years. Salaries have historically grown at a slightly greater rate than inflation, and similar growth is built into the forecast for the next three years. An underlying assumption is that the District's future work force remains the same size as today's--that is, there

- are no significant increases or decreases in the number of District employees. Thus, annual salary increases will translate directly to increases in overall PS costs.
- Extra pay, the category including overtime, differential pay (for night or weekend work, for example), and bonuses, is projected to grow at the same rate. As salaries increase, the cost of extra pay that is tied to salaries increases es proportionally.
- Fringe benefits are assumed to grow faster than other PS expenditures. Health insurance costs for District employees went up slightly in March 2004, after two consecutive years of increases of nearly 15 percent. About half of the District's fringe benefit expenditures have been for health insurance in recent years, and this proportion has been increasing. The projections assume health insurance costs will rise 11 percent in FY 2006 and at slightly lower rates in FYs 2007 and 2008. Other fringe benefits are assumed to grow at the general PS rate, because the cost of most other fringe benefits, most notably District employees' retirement plans, are tied to salaries. The fringe benefits category as a whole is assumed to grow at an average of the rate for health insurance and the general PS growth rate.

Nonpersonal Services

- The general growth rate for NPS expenditures is assumed to be the Washington area CPI forecast.
- One exception is for the category of contrac-

- tual services, in which expenditures have been rising much faster than general NPS expenditure growth. Growth in this category is forecasted to match the PS growth rate, because a great deal of contractual services spending is for salaries (of contractors) rather than for purchases of goods.
- Two other NPS categories should be mentioned—debt service and subsidies and transfers. While their general growth is forecasted to be that of the Washington area CPI forecast, most growth in these two categories appears in agency-specific or program-specific forecasts below. For example, most debt service expenditures are in one of several debt service agencies detailed below. Only a small portion is in operating agencies, through the master lease program. Similarly, much of the District's subsidy and transfer expenditures are in Medicaid and several retirement funds, which are detailed below.

Table 5-5 summarizes growth assumptions by object class.

Growth by Agency or Program

Expenditures in the following agencies or programs are assumed to grow at rates that differ from the general assumptions for each object class

D.C. Public Schools and Public Charter Schools

Expenditures in the Local Education Agency (LEA) portion of the DCPS budget are assumed

Table 5-5

Summary of Growth Assumptions by Object Class
(Percent, over previous year)

	FY 2006	FY 2007	FY 2008	
Washington area Consumer Price				
Index forecast	1.9	2.1	2.2	
Growth assumption for:				
Regular salaries and wages	2.7	2.9	3.0	
Extra pay	2.7	2.9	3.0	
Fringe benefits	6.9	6.7	6.3	
Contractual services	2.7	2.9	3.0	
All NPS categories other than				
contractual services	1.9	2.1	2.2	

Table 5-6 **Projected Payment Schedules for Debt Service Agencies**

(Dollars in thousands)

	FY 2005	FY 2006	FY 2007	FY 2008
Repayment of Loans and Interest	349,500	383,833	406,882	430,249
Certificate of Participation	11,252	11,252	13,252	15,252
Short-Term Borrowings	4,000	4,000	4,000	4,000

to grow at the Washington area CPI forecast rate. This is the rate that would be used in the legislated formula that funds the LEA portion of the DCPS budget, which covers much of the PS and NPS costs in the DCPS budget. Using this rate for the projections assumes that:

- Enrollments will remain constant over the next three years, and
- Growth according to the legislated funding formula will be sufficient to meet DCPS needs in the coming years.

Since the District's expenditures for PCS is considered a subsidy, it also grows at the rate of CPI growth. Thus, if students transfer from one system to the other in future years, the effect on the expenditure forecast is neutral. However, if students leave the two systems to go to private schools as the new voucher program, funded with federal funds, is introduced, expenditures in the two systems should decline relative to the projections. The projections do not account for this possible enrollment decline.

Medicaid and Health Care Safety Net

Both Medicaid expenditures and the contract costs for the Health Care Safety Net Administration are projected to grow at five percent in FY 2006 and six percent in FYs 2007 and 2008, reflecting increases in health care costs that are likely to exceed the general rate of inflation.

Workforce Investments

The projections include pay raises for nonuion employees, above the general PS growth rate, to gradually close the pay gap between nonunion and union employees.

Debt Service

Long-term debt service expenditures are projected to increase over the projection period. The Certificate of Participation (COP) payments for the building at One Judiciary Square will continue at about \$5 million per year through 2013, but total COP expenditures also reflect borrowing for the new Unified Communication Center. A constant small amount of short-term borrowing is anticipated each year. Projected debt service payment schedules are shown in table 5-6.

Washington Metropolitan Area Transit Authority (WMATA) Subsidy

Over the next three years the District's subsidy to WMATA is forecast to increase at a five percent annual rate.

Subsidies and Transfers Related to PS Expenditures

Expenditures in two agencies are classified as transfers that are, in fact, related to PS costs. They are:

- Unemployment Compensation Fund
- Disability Compensation Fund

Expenditures in these two agencies are projected to grow at the PS growth rate each year.

Expenditures in two pension agencies are projected at specific levels in FYs 2006 through 2008:

- Police and Fire Retirement System
- Teachers' Retirement System

The amounts are based on estimates made last year for the Retirement Board, which are the most recent available.

Appendix I: Data Tables for Operating Expenditures

Table 5A-1:

Federal Payments Awarded to the District in its Appropriation Act, FY 1999-2002

(Dollars in thousands)

Agency	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Executive Office of the Mayor			1,497	200	
Office of the City Administrator /					
Criminal JusticeCoordinating Council				300	298
D.C. Office of Personnel			249		
Office of the Chief Technology Officer	20,000			400	
Office of the Chief Financial Officer			1,247	50	
Business Services and Economic Development/Planning			1,297		
Department of Housing and Community Development	3,000				2,782
Department of Transportation					994
Metropolitan Police Department	1,200	996	100	100	497
Metropolitan Police Department — Capital	18,778				
Fire and Emergency Medical Services Department	3,240			500	
Emergency Management Agency (and others)				16,058	14,903
Citizen's Complaint Review Board		498			
Office of the Chief Medical Examiner				585	
D.C. Public Schools	30,000		499	2,500	2,981
Resident Tuition Assistance / State Education Office		16,935	16,963	17,000	16,890
State Education Office, Other					3,974
D.C. Public Charter Schools	15,622				3,974
Department of Human Services		249			
Department of Health			2,145		
Child and Family Services Agency				500	
Incentives for the Adoption of Children		4,981			
Inaugural Expenses			5,948		
Various	25,000				
Various — Capital	50,000				66,714
Total	166,840	23,659	29,945	38,193	114,005

Notes:

Details may not sum to totals because of rounding.

FY 2000, 2001, and 2003 figures reflect rescissions made by the federal government.

Another \$74.8 million was added in FY 1999 and \$30.4 million in FY 2000 for the Office of the Chief Technology Officer for Y2K expenses.

Another \$155.9 million was added in FY 2002 for emergency preparedness expenses, much of it going to public safety agencies, and another \$17 million was added in FY 2002 for the Office of the City Administrator (\$16 million) and the Office of the Chief Technology Officer (\$1 million).

Table 5A-2 **Local Funds Expenditures by Fiscal Year for Selected Large Agencies**

(Dollars in thousands, excluding enterprise agencies)

							Annual
							Growth Rate,
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	1998-2003
Metropolitan Police Department	257,962	276,338	297,327	309,820	315,155	327,688	
Fire and Emergency Medical							
Services Department	108,961	102,482	112,749	129,197	129,729	135,693	
Police and Fire Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	
Department of Corrections	93,045	71,589	70,484	80,325	97,679	102,335	
Corrections Medical Receiver	0	8,499	13,300	10,820	0	0	
Subtotal, selected public safety	507,669	494,007	533,759	579,162	617,163	634,616	4.6%
D.C. Public Schools	520,097	550,812	604,098	737,128	740,706	711,890	
Teacher's Retirement System	8,900	18,600	10,700	200	0	0	
Public Charter Schools	3,195	11,113	46,480	136,876	97,625	114,283	
Subtotal, selected public education	532,192	580,525	661,278	874,204	838,330	826,173	9.2%
Department of Human Services	359,808	188,684	197,109	194,168	205,286	218,885	
Child and Family Services Agency	0	97,217	74,836	96,069	152,504	140,431	
Department of Mental Health ^a	0	105,369	129,177	217,704	178,195	138,142	
DMH Medicaid Write-off	0	0	0	0	0	99,075	
Department of Health	294,040	310,781	325,339	356,499	422,735	479,853	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 ^b	17,312 ^b	0	
Subtotal, selected health and							
human services	696,721	748,886	864,622	1,001,352	976,032	1,076,386	9.1%
Department of Public Works	110,366	106,748	99,624	96,950	117,021	82,133	
Department of Transportation	0	0	0	0	0	22,890	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,531	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	
Subtotal, selected public							
works, financing, and other	584,470	601,546	550,811	488,387	498,765	510,203	-2.7%
All other agencies	446,697	451,887	523,389	569,765	579,185	623,648	6.9%
District total	2,767,748	2,876,850	3,133,859	3,512,869°	3,509,476	3,671,026	5.8%

Notes

Details may not sum to totals because of rounding. FY 2002 expenditures do not include federal payments, while expenditures for FY 2001 and prior years include them for certain agencies.

^aFormerly known as the Commission on Mental Health Services.

^bIncludes PBC transition costs.

 $^{^{\}rm c}\text{Total}$ excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-3 **Gross Funds Expenditures by Fiscal Year for Selected Large Agencies**

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Annual Growth Rate, 1998-2003
Metropolitan Police Department	269,092	283,131	306,281	319,501	338,324	355,283	
Fire and Emergency Medical	·	<u>`</u>	<u> </u>	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	<u> </u>	
Services Department	109,317	102,891	112,855	129,216	134,530	145,868	
Police and Fire Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	
Department of Corrections	258,574	240,680	248,526	212,495	124,686	101,269	
Corrections Medical Receiver	0	12,605	13,300	10,820	0	0	
Subtotal, selected public safety	684,683	674,407	720,862	721,031	672,140	671,320	-0.4%
D.C. Public Schools	634,240	666,007	771,759	826,995	862,747	838,187	
Teacher's Retirement System	8,900	18,600	10,700	200	0	0	
Public Charter Schools	3,195	25,239	49,936	136,867	97,625	118,257	
Subtotal, selected public education	646,335	709,846	832,394	964,061	960,372	956,442	8.2%
Department of Human Services	629,842	335,401	359,650	387,919	431,279	410,278	
Child and Family Services Agency	0	146,232	138,740	177,243	204,015	207,221	
Department of Mental Health ^a	0	196,543	206,713	287,335	221,151	181,443	
DMH Medicaid Write-off						99,075	
Department of Health	906,431	974,492	1,006,824	1,110,207	1,215,461	1,373,438	
Public Benefit Corporation Subsidy	42,873	46,835	138,161	136,912 ^b	17,312 ^b	0	
Subtotal, selected health							
and human services	1,579,146	1,699,503	1,850,088	2,099,616	2,089,217	2,271,455	7.5%
Department of Public Works	119,322	116,933	107,450	104,352	122,879	89,401	
Department of Transportation	0	0	0	0	0	35,997	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,530	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	
Subtotal, selected public works,							
financing,and other	593,426	611,731	558,637	495,788	504,623	530,577	-2.2%
All other agencies	559,972	806,983	859,694	814,684	877,841	1,009,318	12.5%
District total	4,063,562	4,502,470	4,821,675	5,095,180	5,104,193	5,439,144	6.0%

NOTES:

Details may not sum to totals because of rounding.

^aFormerly known as the Commission on Mental Health Services.

^bIncludes PBC transition costs.

^cTotal excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-4

Personal Services and Nonpersonal Services Expenditures by Fiscal Year

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Annual Growth Rate, 1998-2003
Regular salaries and wages ^a	993,128	965,659	1,010,397	1,126,640	1,160,133	1,154,576	3.1%
Extra pay ^b	89,303	83,883	100,496	108,028	94,888	78,418	-2.6%
Fringe benefits ^c	179,454	173,555	177,624	190,523	233,502	225,847	4.7%
Subtotal, PS	1,261,885	1,223,098	1,288,516	1,425,192	1,488,523	1,458,841	2.9%
Fixed costs ^d	129,352	122,517	144,689	149,507	156,534	169,394	5.5%
Subsidies and transfers ^e	606,756	727,034	894,276	1,013,138	1,001,800	1,042,173	11.4%
Debt service	405,918	412,005	361,704	279,530	293,380	313,661	-5.0%
Contractual services	149,932	235,392	270,707	366,317	350,120	405,251	22.0%
Other NPS	213,905	156,805	173,967	279,185	219,119	281,707	5.7%
Subtotal, NPS	1,505,864	1,653,752	1,845,343	2,087,677	2,020,953	2,212,186	8.0%
Total	2,767,748	2,876,850	3,133,859	3,512,869	3,509,476	3,671,027	5.8%

Notes:

Details may not sum to totals because of rounding.

^aFull- and part-time, continuing and term, and unknown payroll postings.

^bIncludes overtime, bonuses, and differentials for nights, weekends, and holidays.

^cIncludes contributions to Police and Fire Retirement System and Teachers' Retirement System.

 $[\]ensuremath{^{\text{d}}}\xspace$ Utilities, telecommunications, and rent.

 $^{^{\}rm e} {\sf Excludes}$ contributions to Police and Fire Retirement System and Teachers' Retirement System

Appendix II: Emergency Preparedness Funding

After September 11, the District received \$156 million in Emergency Preparedness Funding. Authorized as part of the FY 2002 Department of Defense Appropriations Act (PL 107-117), these funds were available until September 30, 2004. District agencies have received the money in the form of federal payments with these purposes:

Federal Payment to the District of Columbia for Protective Clothing and Breathing Apparatus

Metropolitan Police Department	\$4,269,000
Department of Health	\$1,500,000
Fire and Emergency Medical Services Department	\$922,000
Department of Public Works	\$453,000
Subtotal	\$7,144,000

Federal Payment to the District of Columbia for Specialized Hazardous Materials Equipment

Fire and Emergency Medical Services Department \$1,032,000

Federal Payment to the District of Columbia for Chemical and Biological Weapons Preparedness

Department of Health	\$9,892,000
Metropolitan Police Department	\$258,000
Fire and Emergency Medical Services Department	\$205,000
Subtotal	\$10,355,000

Federal Payment to the District of Columbia for Pharmaceuticals for Responders

Department of Health \$2,100,000

Federal Payment to the District of Columbia for Response and Communications Capability

Fire and Emergency Medical Services Department	\$7,755,000
Metropolitan Police Department	\$5,855,000
Department of Health	\$750,000
Department of Human Services	\$309,000
Department of Public Works/Department of Transportation	\$113,000
Department of Public Works	\$60,000
Department of Parks and Recreation	\$60,000
Office of Property Management	\$58,000
Subtotal	\$14,960,000

Federal Payment to the District of Columbia for Search, Rescue and Other Emergency Equipment and Support

Subtotal	\$8,850,000
Fire and Emergency Medical Services Department	\$208,000
Department of Consumer and Regulatory Affairs	\$398,500
Department of Human Services	\$542,000
Department of Mental Health	\$1,081,000
Department of Public Works	\$1,178,500
Metropolitan Police Department	\$5,442,000

Federal Payment to the District of Columbia for Equipment, Supplies and Vehicles for the Office of the Chief Medical Examiner

Office of the Chief Medical Examiner \$1,780,000

Federal Payment to the District of Columbia for Hospital Containment Facilities for the Department of Health

Department of Health \$8,000,000

Federal Payment to the District of Columbia for the Office of the Chief Technology Officer [for a first response land-line and wireless interoperability project]

Office of the Chief Technology Officer \$45,494,000

Federal Payment to the District of Columbia for Emergency Traffic Management [to upgrade traffic light controllers, to establish a video traffic monitoring system, and to disseminate traffic information]

Department of Public Works Division of Transportation \$20,700,000

Federal Payment to the District of Columbia for Training and Planning

Fire and Emergency Medical Services Department	\$4,400,000
Metropolitan Police Department	\$990,000
Department of Health	\$1,200,000
Office of the Chief Medical Examiner	\$200,000
Office of Property Management	\$500,000
Department of Mental Health	\$500,000
Department of Consumer and Regulatory Affairs	\$469,000
Department of Public Works	\$240,000
Department of Human Services	\$600,000
Department of Parks and Recreation	\$100,000
Division of Transportation	\$750,000
Subtotal	\$9,949,000

Federal Payment to the District of Columbia for Increased Facility Security

D.C. Public Schools	\$14,575,000
Office of Property Management	\$7,061,000
D.C. Emergency Management Agency	\$3,900,000
Subtotal	\$25,536,000

With Congressional approval, one percent of the appropriated funds has been reallocated to the following agencies for administrative expenses -

Office of Contracting and Procurement	\$746,606
Office of the City Administrator / DM for Public Safety and Justice	\$601,092
Office of the Chief Financial Officer	\$211,302
Expenditure Subtotal	\$1,559,000

Expenditures of Emergency Preparedness Funds

For FY 2002 and FY 2003, these were the actual expenditures by agency: (Dollars in thousands)

A	APPROVED	REVISED	<u>EXPENDITURES</u>		
	BUDGET	BUDGET	FY 2002	FY 2003	TOTAL
Office of Property Management ¹	\$22,194	\$18,169	\$637	\$15,118	\$15,755
D.C. Emergency Management Agency	3,900	6,398	2,799	2,757	5,556
Department of Health	23,442	22,283	1,621	17,802	19,422
Department of Human Services	1,451	938	429	144	573
Office of the Chief Medical Examiner	1,980	1,760	324	1,313	1,637
Department of Consumer and Regulatory Affairs	868	594	194	248	441
Metropolitan Police Department	16,814	17,819	7,922	6,239	14,160
Department of Mental Health	1,581	1,484	305	1,162	1,467
Department of Parks and Recreation	160	158	122	36	158
Office of the Chief Technology Officer	45,494	46,548	3,483	36,614	40,096
Department of Transportation ²		21,440	724	5,893	6,617
Department of Public Works ²	23,495	1,920	0	1,266	1,266
Fire and Emergency Medical Services	14,522	14,831	4,304	9,937	14,242
Office of Contracting and Procurement ³		747	0	734	734
Office of the Chief Financial Officer ³		211	0	211	211
Office of the City Administrator /					
Deputy Mayor for Public Safety and Justice ³		601	0	601	601
TOTAL	155,900	155,900	22,863	100,074	122,937

¹ Department of Property Management includes funding for Protective Services and D.C. Public Schools for security enhancements.

² For FY 2003, the Department of Transportation separated from the Department of Public Works. Funding is real-located between the two agencies as approved by Congress.

³ The 1 percent Administrative Costs were removed from agency budgets in September 2002 and loaded in the Office of the City Administrator, Office of the Chief Financial Officer, and the Office of Contracting and Procurement to cover costs in FY 2003.